

## **UNBUNDLED ELECTRIC CHARGES**

(Revised 1/31/2006)

<b>CHARGE</b>	<b>DESCRIPTION</b>
<b><u>Power Supply Charges:</u></b>  <ul style="list-style-type: none"> <li>• Capacity Charge (Billing Demand)</li> <li>• Energy Charge</li> <li>• Power Supply Cost Recovery (PSCR) Factor</li> </ul>	<p><b><u>Power Supply Charges are applicable to Company Full Service Customers only. Company Full Service customers take Power Supply (includes generation and transmission costs) Service and Delivery (includes customer-related and distribution costs) Service from the Company. Company Retail Open Access (Electric Customer Choice) customers take Power Supply Service from an Alternative Electric Supplier (Retailer) and Delivery Service from the Company. Power Supply Charges are authorized by the Michigan Public Service Commission (MPSC)</u></b></p> <ul style="list-style-type: none"> <li>-</li> <li>• A MPSC authorized charge applicable to most commercial and industrial customers based upon the electric capacity (or demand in kW). Capacity charges recover system costs of power production and fuel.</li> <li>• A MPSC authorized charge based upon the electric energy (kWh). Energy charges recover the costs of power production and fuel that are not collected through the capacity (or demand) charge. Some rates separate the energy charge into on-peak and off-peak rates. On-peak hours are the hours between 11 AM and 7 PM. Off-peak hours are the hours between 7 PM and 11 AM. Power supply costs are higher during the on-peak period than they are during the off-peak period.</li> <li>• Michigan Compiled Laws, 460.6 et seq. provides for the incorporation of a Power Supply Cost Recovery factor in rates. Power Supply costs are recovered through a base amount that is included in the Capacity and Energy charges described above. The remaining costs are recovered through a Power Supply Cost Recovery factor that may vary from month to month and that are reconciled every year to recover the cost of fuel the Company uses to generate electricity, the cost of electricity the Company purchases and the transmission service the Company purchases.</li> </ul>
<b><u>Delivery Charges:</u></b> <ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> <li>• Customer Charge</li> <li>• Capacity Charge (Maximum Demand)</li> <li>• Distribution Charge</li> <li>• Renewable Resource</li> </ul>	<p><b><u>Delivery Charges are applicable to Company Full Service and Retail Open Access (Electric Customer Choice) customers. Delivery Service includes both customer-related and distribution services that are provided by the Company. Delivery Charges are authorized by the Michigan Public Service Commission (MPSC)</u></b></p> <ul style="list-style-type: none"> <li>-</li> <li>• A MPSC authorized charge to recover the costs of metering, meter reading, billings and other customer-related operating costs, exclusive of demand and energy consumption.</li> <li>• A MPSC authorized charge applicable to most commercial and industrial customers based upon the electric capacity (or demand in kW) used during the customer's highest 15-minute demand (kW) created during the current month or previous 11 months. Capacity charges recover system costs for transporting electricity from the transmission (high voltage) lines over the distribution (lower voltage) lines to the customer's premises.</li> <li>• A MPSC authorized charge based upon the electric energy (kWh) used by the customer. This charge recovers costs related to the utility plant used for delivering electric energy from the transmission system to the customer's premises, including all operating and maintenance expenses of the distribution plant.</li> <li>• A MPSC authorized per meter charge (per account charge for unmetered</li> </ul>

<p>Program Fund Surcharge</p> <ul style="list-style-type: none"> <li>• Nuclear Decommissioning Surcharge</li> <li>• Electric Customer Choice Implementation Surcharge</li> <li>• Security Recovery Factor</li> <li>• Regulatory Asset Recovery Surcharge</li> <li>• Securitization and Securitization Tax Charges</li> </ul>	<p>customers such as streetlighting and Rate UR) to recover costs associated with the Renewable Resources Program. 2000 Public Act 141, Section 10r (6) mandates the MPSC to establish a renewable energy program to inform customers of the availability and value of using renewable energy. The program was designed to promote existing renewable energy sources and the development of new facilities. The MPSC first approved the surcharge to recover a portion of the Renewable Resources Program costs in its Order in Case No. U-13843 dated May 18, 2004.</p> <ul style="list-style-type: none"> <li>• A MPSC authorized charge that funds the external trusts that pays for the decommissioning obligations of the Company's nuclear plants. Nuclear decommissioning refers to the costs involved with safely removing a nuclear power plant from service at the end of its life and restoring the site to a condition that allows for unrestricted use. Decommissioning includes costs of removing buildings and structures and of disposing of radioactive materials. Consumers Energy owns two nuclear power plants. The Palisades Plant is currently supplying electricity to customers. The Big Rock Point plant is currently being decommissioned.</li> <li>• 2000 Public Act 141, Section 10a (1) provides for full recovery by a utility of electric restructuring implementation costs as determined by the MPSC. The MPSC first approved the surcharge to recover costs incurred in implementing the Retail Open Access (Electric Customer Choice) program in Case Nos. U-11955, U-12358, U-12891 and U-13340 dated June 29, 2004.</li> <li>• 2000 Public Act 141, as amended on December 20, 2002, provides for recovery of enhanced security costs from Company Full Service customers for electric generating facilities following the September 11, 2001 terrorist attack against the United States. The MPSC first approved the surcharge to recover costs incurred in securing the Company's facilities in its Order in Case No. U-14126 dated August 10, 2004.</li> <li>• 2000 Public Act 14, Section 10d (4), as amended on December 20, 2002, provides for recovery of certain investments and expenses that took place during the rate freeze and rate cap periods imposed by the law. The MPSC first approved this surcharge applicable to Company Full Service customers over a period of five years in its Order U-14148 dated December 22, 2005 allowing recovery primarily for clean air investments at our coal-fired generating plants.</li> <li>• 2000 Public Act 142 provides for the MPSC to issue financing orders authorizing the issuance of securitization bonds to recover certain "qualified" costs as defined in the act. "Qualified" costs include, among other costs, taxes related to the recovery of securitization charges. As proceeds from the bonds are used to refinance higher cost debt, interest savings are realized by the Company and the Company's credit rating improves. The MPSC first approved the Company's securitization charges in its Orders in Case No. U-12505 dated October 24, 2000 and January 4, 2001.</li> </ul>
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